

Message Text

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ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-01
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 IO-13 OMB-01 ACDA-07 MCT-01 SY-05 SAJ-01
TRSE-00 OPR-02 A-01 OC-06 CCO-00 EB-08 AID-05 OES-06
CU-02 COME-00 AGRE-00 XMB-02 PC-01 /127 W
-----231130 010173 /17

R 221520Z FEB 77

FM AMEMBASSY FREETOWN
TO SECSTATE WASHDC 4897
INFO AMEMBASSY MONROVIA
AMEMBASSY CONAKRY
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY BONN

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EO 11652: NA

TAGS: EGEN EFIN PINT

SUBJ: IMPACT OF RECENT UNREST ON GOSL ECONOMIC POLICIES

REF: (A) FREETOWN 530 (NOTAL, (B) FREETOWN 518 AND OTHERS (NOTAL)

1. SUMMARY: THE RECENT TENSION AND UNREST WITHIN SIERRA LEONE HAS LED PRESIDENT STEVENS TO PUT POLITICAL CONSIDERATIONS BEFORE ECONOMIC ISSUES AND TO BACK AWAY FROM EVEN THE LIMITED EFFORT AT ECONOMIC STABILIZATION THAT HAD BEEN BEGUN IN AN EFFORT TO OBTAIN AN IMF STANDBY AGREEMENT. STEVENS HAS RESCINDED RECENTLY IMPOSED EXCISE DUTIES ON GASOLINE, TOBACCO AND OTHER ITEMS WITHOUT REDUCING GOVERNMENT EXPENDITURE, THUS ASSURING A SIGNIFICANT BUDGET DEFICIT. EXCISE DUTIES WERE ONLY ONE PART OF A PACKAGE OF PRECONDITIONS IMF SOUGHT TO IMPOSE ON SIERRA LEONE BEFORE MAKING STANDBY CREDIT AVAILABLE. STEVEN'S ACTIONS MAKE ACHIEVEMENT OF IMF STANDBY AGREEMENT
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UNLIKELY IN THE FORESEEABLE FUTURE. THIS IN TURN MEANS A DELAY OR CANCELLATION OF PROJECTS AND AGREEMENTS CONTINGENT ON THE AVAILABILITY OF IMF STANDBY CREDITS. END SUMMARY

2. IN LATE JANUARY GOSL MOVED TO COMPLY PARTIALLY WITH IMF PRECONDITIONS FOR STANDBY AGREEMENT BY INCREASING EXCISE TAXES ON SOME 15 ITEMS IN ORDER TO RAISE AN ADDITIONAL LE 15 MILLION

IN REVENUE. COINCIDENT WITH THE ANNOUNCEMENT OF THESE INCREASES, STUDENTS AT FOURAH BAY COLLEGE STAGED A PROTEST DIRECTED AT PRESIDENT STEVENS. IN NATIONWIDE DISTURBANCES WHICH FOLLOWED, (REFTELS) WIDESPREAD DISSATISFACTION WITH ECONOMIC SITUATION BECAME APPARENT. GOSL'S HALF-HEARTED EFFORT AT COMPLIANCE WITH IMF REQUIREMENTS WAS ABANDONED WHEN STEVENS DECIDED TO SEEK POLITICAL SUPPORT BY ROLLING BACK TAXES.

3. SOURCES IN GOSL REPORT THAT PRESIDENT STEVENS WROTE WORLD BANK VICE PRESIDENT ROGER CHAUFOURNIEV IN LATE JANUARY THAT STEPS WERE BEING TAKEN TO INCREASE TAX REVENUE. GOSL APPARENTLY HAS NOT NOTIFIED WORLD BANK OR IMF OFFICIALS OF REVERSAL.

4. WITH REVERSAL ON TAXES, ACHIEVEMENT OF AN IMF STANDBY AGREEMENT BECOMES LESS LIKELY. THIS IN TURN THREATENS DEVELOPMENT PROJECTS WHICH ARE CONTINGENT ON APPROVAL OF STANDBY, NOTABLY THE IDA INTEGRATED AGRICULTURE DEVELOPMENT PROJECT, THE WORLD BANK LOAN FOR ELECTRICITY CORPORATION AND OTHER WORLD

BANK PROJECTS. PARIS CLUB RESCHEDULING OF FOREIGN DEBT IS ALSO DEPENDENT ON AGREEMENT WITH IMF.

5. THE EXCISE TAX ROLBACK MEANS A LARGER PROJECTED GOVERNMENT DEFICIT, WHICH PROBABLY WILL BE FINANCED BY FURTHER EXPANSION OF DOMESTIC CREDIT. PAST EXPANSION OF CREDIT HAS INCREASED DEMAND FOR IMPORTS AND WORSENEED BALANCE OF PAYMENTS DEFICIT. SAMUELS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, CIVIL DISORDERS, PUBLIC ATTITUDES
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Sent Date: 22-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977FREETO00664
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770062-0703
Format: TEL
From: FREETOWN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770222/aaaaatke.tel
Line Count: 89
Litigation Code IDs:
Litigation Codes:
Litigation History: Hold (001 Tobacco) added on 4/16/2009 3:39:10 PM by WASHDCMcGoldRJ, Hold (001 Tobacco) removed on 4/16/2009 3:45:08 PM by WASHDCMcGoldRJ (Litigation Hold Lifted)
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 5342f2c3-c288-dd11-92da-001cc4696bcc
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Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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TAGS: EGEN, EFIN, PINT, SL
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